Supreme Court, U.S.
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No. 98-969

IN THE

Supreme Court of the United States

OCTOBER TERM, 1998

HARMONIC DESIGN, INC., and
SPRINGS INDUSTRIES, INC., and
SPRINGS WINDOW FASHIONS DIVISION, INC.,

Petitioners,

vs.

HUNTER DOUGLAS, INC., and
HUNTER DOUGLAS FABRICATION COMPANY,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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January 13, 1999

QUESTIONS PRESENTED

The questions sought to be raised by Petitioners are moot, because Respondents have filed a Notice of Dismissal in the District Court and are no longer asserting the claims whose legal sufficiency Petitioners seek to have this Court review.

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RULE 29.6 STATEMENT

Pursuant to Rule 29.6, Hunter Douglas, Inc. and Hunter Douglas Fabrication Company hereby state that Hunter Douglas N.V. is a parent corporation that is publicly traded.

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BRIEF IN OPPOSITION

The petition for certiorari should be denied, because Respondents have filed a Notice of Dismissal in the District Court and are no longer asserting the claims whose legal sufficiency Petitioners seek to have this Court review. No purpose would be served by this

Court's attempting to determine whether Respondents hypothetically could assert hypothetical claims for relief in hypothetical circumstances which do not currently exist.

COUNTERSTATEMENT OF THE CASE

Respondents commenced and were the plaintiffs in an action entitled Hunter Douglas, Inc. v. Harmonic Design, Inc., Case No. 96-8653, which formerly was pending in the United States District Court for the Central District of California (the "First Action"). Respondents' complaint in the First Action alleged that the defendants, Petitioners in this Court, had competed unfairly with Respondents by procuring and publicizing certain U.S. patents directed to battery-powered remote-controlled window coverings (the "Domel Patents") which were invalid and unenforceable.

Respondents' complaint in the First Action further alleged that false and indefinite claim language in one of the Domel Patents, U.S. Patent No. 5,495,153 (the "'153 Patent"), had misled Hunter Douglas, Inc. ("Hunter Douglas") and caused Respondents to delay

temporarily the commercial introduction of a battery-powered, remote-controlled window covering product called the DUETTE POWERRISE in July 1996; that this delay and Respondents' resultant damages were direct, foreseeable, and intended consequences of the Petitioners' wrongful procurement and publicizing of the Domel Patents; and that Respondents accordingly were entitled to declaratory, injunctive, and monetary relief against Petitioners under Cal. Bus. & Prof. Code § 17200 and other California laws. Respondents additionally pleaded a claim for declaratory relief based on 28 U.S.C. § 2201 which is not a subject of the petition before this Court.

Petitioners never answered Respondents' complaint in the First Action. Instead, Petitioners filed motions under Fed. R. Civ. P. 12(b)(1) and 12(b)(6) contending that the District Court lacked subject matter jurisdiction to hear Respondents' claims or, alternatively, that the Respondents' claims assertedly failed to state any claims upon which relief could be granted. Petitioners argued in the District Court that, even if Respondents'

complaint were sufficient as a matter of California law, federal patent law assertedly preempted all of Respondents' claims for relief under California law.

With regard to Respondents' claims for relief under California law (which are the only claims which Petitioners have sought to bring before this Court), the District Court ruled on April 23, 1997, that "the state law claims brought by the plaintiffs are both field and conflict preempted by the federal patent law." 962 F. Supp. 1253. Respondents timely appealed the District Court's decision to the U.S. Court of Appeals for the Federal Circuit.

On August 18, 1998, the Federal Circuit vacated that portion of the District Court's judgment which had dismissed Respondents' claims for relief under California law and remanded the case to the District Court for further proceedings. The Federal Circuit held that owners of U.S. patents enjoy a qualified immunity to suit as a matter of federal patent law:

> First, federal patent law bars the imposition of liability for conduct before the PTO when the plaintiff can show that the patentholder's conduct amounted to fraud or rendered the patent application process a sham. . . . Second, federal patent law bars the imposition of liability for publicizing a patent in the marketplace unless the plaintiff can show the patentholder acted in bad faith. (153 F.3d at 1336).

The Federal Circuit declined to decide, in the first instance, whether Respondents' complaint in the First Action had pleaded facts sufficient to overcome the new doctrine of qualified immunity which Federal Circuit had announced in its decision quoted above.[1] Instead, the Federal Circuit remanded to the District Court "for the district court to decide whether, in accordance with the guidelines set forth above, Hunter Douglas's allegations in the complaint are sufficient to survive a motion to

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[1] The Federal Circuit is continuing to develop the qualified immunity doctrine announced in its decision below. In Mikohn Gaming Corp. v. Acres Gaming, Inc., 1998 U.S. App. LEXIS 33122 (Fed. Cir. Dec. 30, 1998), the Federal Circuit reversed a grant of preliminary injunctive relief against a patent owner who had notified prospective customers of an alleged infringement, and elaborated upon the "bad faith" which must be alleged before a patent owner can be held liable for injurious falsehood or other torts under state law. 1998 U.S. App. LEXIS 33122 at *11-*17.

dismiss the state law counts on the basis of preemption by federal patent law." 153 F.3d 1337. The Federal Circuit's decision issued as a mandate on September 8, 1998.

Events Culminating in the Mootness of This Case

On September 15, 1998, rather than counterclaim in the First Action, co-petitioner Harmonic Design, Inc. ("Harmonic") commenced a separate action for patent infringement entitled Harmonic Design, Inc. v. Hunter Douglas, Inc., Case No. 98-7477, in the United States District Court for the Central District of California (the "Second Action"). The Second Action involves the exact same Hunter Douglas POWERRISE motorized lift system and raises all the same issues of patent claim interpretation, patent invalidity, unenforceability, and non-infringement which Respondents had pleaded as grounds for relief in their complaint in the First Action.

Harmonic's complaint in the Second Action alleges that Hunter Douglas's sale of the DUETTE POWERRISE and a second, more recently-introduced

product, the SILHOUETTE POWERRISE, assertedly infringes two patents held by Harmonic (the "Newer Domel Patents") which issued subsequent to the commencement of the First Action. The Newer Domel Patents incorporate identical figures, disclosures, and claim language as the '153 Patent at issue in the First Action, but with certain additional (and trivial) claim limitations added. The Newer Domel Patents are also subject to the same exclusive license between Harmonic and co-petitioners Springs Industries, Inc. ("Springs") and Springs Window Fashions Division, Inc. ("SWFD") as Respondents had pleaded in their complaint in the First Action.

Hunter Douglas has answered the complaint in the Second Action and the parties are proceeding with discovery in the Second Action. Hunter Douglas expects to obtain, in the Second Action, substantially the same declaratory relief as Respondents had sought in the First Action, but without the necessity of litigating complex questions of state tort law, qualified immunity, federal preemption, and federal question jurisdiction, which

questions no longer have sufficient practical significance to Respondents to justify the cost of further litigation of those questions.

Accordingly, on January 12, 1999, Respondents voluntarily dismissed the First Action without prejudice pursuant to Fed.R.Civ.P. 41(a)(1)(i) which provides in part: "an action may be dismissed by the plaintiff without order of court (i) by filing a notice of dismissal at any time before service by the adverse party of an answer or of a motion for summary judgment, whichever first occurs. . . ."

REASONS FOR DENYING THE WRIT

Respondents are no longer asserting the claims whose legal sufficiency Petitioner has asked this Court to review. No proper purpose would be served by this Court determining whether Respondents hypothetically could assert hypothetical claims against Petitioners under the new standard of qualified immunity established by the Federal Circuit below, in hypothetical circumstances which existed two years ago but which have since changed completely.

"Article III of the Constitution limits federal courts to the adjudication of actual, ongoing controversies between litigants." Deakins v. Monahan, 484 U.S. 193, 199 (1988). "A party's decision to withdraw a claim renders it moot." Independent Union of Flight Attendants v. Pan American World Airways, Inc., 966 F.2d 457, 459 (9th Cir. 1992). See Frank v. Minnesota Newspaper Association, Inc., 490 U.S. 225, 227 (1989) (*per curiam*) (case moot where "appellee, the original plaintiff in the case, states its willingness to forego any further claim to the declaratory and equitable relief sought in its complaint").

A conclusion of mootness is particularly appropriate where, as here, (a) an intermediate appellate court has announced a significant change in the law, (b) the plaintiffs have chosen simply to withdraw their suit rather than attempt to re-frame their complaint to conform to the newly-announced law, and (c) the Petitioners have commenced a parallel action against Respondents, in which Second Action all parties can unquestionably obtain any and all relief to which they are

legally entitled, without any need for this Court's intervention.

CONCLUSION

For the reasons set forth above, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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